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DEPARTMENT OF THE NAVY

Washington

March 1, 1941

By letter of December 19, 1940, No. EN12/General (31), to the Supervisor of Shipbuilding, USN, the Secretary refers to Article 3(d) of the General Provisions of contracts executed by him since July 1, 1940, for the construction of Naval vessels, which provides under the heading "Special Plant Protection" as follows:

"(d) In addition to the ordinary precautions heretofore adopted by the contractor for the guarding and protection of its plant and work, the contractor shall provide such additional watchmen and devices for the protection of its plant and property and the work in process for the Department against espionage, acts of war, and acts of enemy aliens as may be required by the Secretary of the Navy. The additional cost thereof shall be treated as a change under this contract."

The Contractor states that he has complied with the foregoing provision of the contracts which has resulted in increased cost of facilities and also increased plant costs, and that the operating expense will be increased and will continue during the construction period of the contract. He requests that a general change for all contracts covering the increased cost involved for special protection be authorized, and that current operating costs submitted by him, be adjudicated by the Change Board each month, and that payments, as earned, be made by the Navy Department.

The procedure proposed by the Contractor is, in the opinion of the Navy Department, satisfactory. In order that the Bureau of Ships may issue the proper administrative instructions in the matter to all Supervisors of Shipbuilding, the Secretary of the Navy hereby modifies Article 3(d),

all material (other than those covered by the contract) in the construction, equipping, and outfitting of a vessel, on such lists the item, quantity, name of manufacturer, date of receipt, and the date on which the construction thereof had been completed. While it is desirable that such lists be submitted to the Department, such lists shall not be so submitted as a condition of payment for work of a building yard. One copy of such lists shall be furnished to the Department by the contractor or tabulation by months of the total cost of the vessel, showing the distribution by units of

chronology of such principal events during the construction, would be of assistance to the Department.

and delivery of such plans, lists, schedules, etc., will be treated as a condition of payment for work of a building yard. One copy of such lists shall be furnished to the Department by the contractor or tabulation by months of the total cost of the vessel, showing the distribution by units of

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above, of Contracts N0d-1430, N0d-1432, N0d-1433, N0d-1500, N0d-1503, N0d-1642, and N0d-1732, to follows:

" (d) In addition to the ordinary precautions heretofore adopted by the Contractor for the guarding and protection of its plant and work, the Contractor shall provide, as may be required by the Secretary of the Navy, or the Chief of the Bureau of Ships as his duly authorized representative, such additional watchmen and devices for the protection of its plant and property and the work in process for the Department against espionage, acts of war, and acts of enemy aliens. The additional cost thereof shall be treated as a change under this contract."

It is requested that the receipt of this letter be acknowledged.

Respectfully,

/s/ James Forrestal

Acting Secretary of the Navy.

building yard. One copy of each shipbuilding and characteristics shall be furnished in the New York Company, New Jersey.

showing the distribution by month of each principal event during the year. (Audit Div.)

such plans, lists, schedules, etc., will be treated as a copy of the original or assembly and delivered to the Bureau of Ships, SupShip., Kearny, N.J., BuS&A, CompBD (2), and the Bureau of Naval Stores, etc., for the purpose of furnishing or assembling the same. Such plans, etc., shall include (a) any plans, etc., for the purpose of the article or invention shown or described.

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partment shall promptly approve all work and material conforming to the require-  
ment, and may reject any work and material not conforming thereto. Rejected  
material shall be replaced with satisfactory material at the contractor's charge therefor, and the contractor shall promptly segregate and remove the

contractor shall furnish promptly all reasonable facilities, labor, and materials  
safe and convenient contact of the labor and inspection, examination and tests  
required by the inspectors. All inspection, examination and tests by the Department  
shall be in such manner as not to interfere with the work. Plans, full-size, and  
drawings shall be as described in the specifications.

manship, equipment, materials, and articles incorporated in the work covered  
are to be in accordance with the specifications which form a part of this contract.

Materials and  
workmanship.

vessel/vessels and all materials and appliances provided by either the contractor  
for and used, or to be used, in the construction thereof shall be kept duly  
contractor in the name of the United States of America and the contractor against  
risks. The insurance shall be written on the builder's risk insurance certifi-  
cate syndicate. The insurance shall be effected with such domestic underwriters  
and by the Secretary of the Navy, and loss thereunder shall be payable to the  
Navy for the use of the United States to the extent of payment made to the con-  
tractor for the use of the contractor to the extent of any remaining balance. The  
insurance shall be deposited with the Judge Advocate General of the Navy.

Insurance

loss, damage, and or expense of the kinds covered by the policies of insurance  
contract, the Department will make no demand on the contractor for or on ac-  
count of the vessel/vessels, her their apparel, tackle, ordnance, furniture, and appur-  
tenances. The amount of insurance the contractor is required to carry under the contract  
and or damage to the vessel/vessels and or materials and appliances therefor  
amount required to be covered by insurance, the Secretary of the Navy may,  
in order the contractor to proceed with the work of repair or replacement, the  
extent of the insurance required, to be borne by the contractor and/or the  
payment orders duly indorsed by the Secretary of the Navy, and the cost of  
work above the amount of insurance required, to be borne by the Government  
in the manner provided in this contract for determining the increased cost of  
work to the contractor as a change, or order the contractor to discontinue all work  
orders on receipt of which order the contractor's obligation to construct the  
work the contract shall cease and determine, and the Department will be entitled  
also under the insurance required to be placed up to the amount of its loss, and  
will pay to the contractor all sums theretofore earned under the contract and  
paid, and in addition thereto all extra costs and expenses to the contractor, by  
ceasing and determination of such obligation, which extra costs and expenses  
shall be the cost of care of the damaged vessel/vessels and parts therefor and of the  
work as the Secretary of the Navy shall direct; (2) any amount for which the  
contractor is liable by reason of the cancellation of orders for material or work that may  
cease because of the ceasing and determination of such obligation; (3) reasonable  
the use of property of the contractor occupied or required by the damaged  
work until disposition thereof; and (4) any other reasonable expense to  
incurred by the ceasing and determination of such obligation and by such disposi-  
tion. The contractor will also be entitled to six (6) percent of such extra costs and expenses  
amount of such extra costs and expenses shall be determined in the same  
manner provided in this contract for the determination of the amount of compensation  
contractor in the case of changes.

loss and/or damage occurs amounting in value to less than the extent of the  
loss, the vessel/vessels and/or parts therefor, shall be restored to its or their  
condition by the contractor, who will be reimbursed therefor by the underwriters on  
policy indorsed by the Secretary of the Navy.

vessel/vessels and all parts thereof being the property of the Department, and being  
used, and used by the contractor for and on the order of the Department, the  
contractor shall assume all costs, expenses, royalties, and damages for infringement of patents  
inventions in the construction of said vessels; but in case of litigation on  
the contractor shall assist the Department at the latter's expense, save for  
the contractor's employees, in furnishing such evidence as to the use of the patents  
of fact as may be required by the Department in such litigation. The con-  
tractor shall notify the Department in writing of any and all cases in which royalties  
or any claims of infringement that may from time to time be brought to the  
attention of the Department. The contractor shall not pay any sums for royalties or patent rights not  
embodied in the vessels, unless and  
to make such payment by the Department.

Patents.

the construction of the vessel/vessels as a whole is suspended by the Secretary  
of the Navy, the contractor shall suspend all work in connection with the construction of the vessel/vessels, except  
as the Secretary of the Navy shall direct the contractor to continue; and the contractor  
shall care for the vessel/vessels and for all materials and equipment on  
construction thereof, and the contractor shall promptly furnish to the Secretary  
of the Navy of all outstanding orders for materials, equipment, and appliances or work  
orders, and shall take such action relative to such orders as may be directed

Suspension of  
work.

by the Secretary of the Navy. In case of any such suspension, the Department shall reimburse the contractor for all additional expenses determined by the Compensation Board to have been incurred by reason of such suspension, including (1) the cost of any special work directed by the Secretary of the Navy that would not have been necessary if the construction of the vessel/vessels had not been suspended; (2) the cost of the care and preservation of the vessel/vessels during the period of suspension; (3) the proper portion of the fixed overhead charges which the vessel/vessels would have borne during the period of suspension if the construction of the vessel/vessels had not been suspended; (4) any additional payments for which the contractor vessel/vessels had not been suspended; (5) the increased cost, if any, of any work that may be directed by the Secretary of the Navy; (6) any other reasonable expense which due to the resumption of work after its suspension; (7) any other reasonable expense which the contractor shall have incurred on account of such suspension, including reasonable compensation to it for the use of property of the contractor occupied or required by the unfinished vessel/vessels until final disposition thereof. The Department shall also pay to the contractor 8.7 percent of such additional expenses. The Secretary of the Navy will grant an extension in the contract construction period equal to the delay caused by such suspension, which extension shall not in any case be less than the period of such suspension.

Board.

(b) The amount which the Department shall pay to the contractor will be determined by the Compensation Board. As soon as practicable after such suspension is ordered, the Board shall determine the amount to be allowed the contractor as monthly payments, and after such suspension is terminated the Board shall determine the amount in addition to the monthly payments which shall be payable to it on account of such suspension. The amounts so determined, when approved by the Secretary of the Navy (after hearings, if desired by the contractor), shall be the amounts that shall be paid to the contractor in full settlement of the costs of such suspension.

Termination.

10. (a) In case of the failure or omission of the contractor, at any stage of the work prior to its completion, from any cause or causes, to go forward with the work and make satisfactory progress toward its completion, within the period prescribed, the Secretary of the Navy for just cause after due hearing may, by written notice to the contractor, terminate its right to proceed with the work. In case the contractor's right to proceed is so terminated, the Department may when the delays, in the judgment of the Secretary of the Navy, are retarding progress of work to such an extent as to jeopardize completion and delivery of the vessel/vessels within the prescribed time, immediately enter the works and premises of the contractor and take possession of the vessel/vessels and the materials for its construction. The Secretary of the Navy thereupon shall cause to be taken and filed a full and complete statement and inventory of all work done or begun in, upon, or about the vessel/vessels and of all materials on hand or on order applicable thereto, or intended therefor, by a board consisting of not less than five persons qualified by knowledge and experience for the discharge of their duties, to be appointed by the Secretary of the Navy, which board shall proceed without unnecessary delay to examine such work and materials, and upon such examination the contractor may attend by representative and, if it so desires, by counsel, and submit evidence.

Completion in event of termination—Surrender of plant

(b) Upon receipt by the Department of the statement and inventory prepared by said board as aforesaid and approved by the Secretary of the Navy, the Department may proceed with the completion of the vessel/vessels in accordance with the contract, including changes therein that may be authorized in accordance with the provisions thereof either at the plant of the contractor or elsewhere, by contract or otherwise, in its discretion, using for that purpose all suitable materials, equipment, and appliances on hand or on order and included in the inventory aforesaid, and may remove the vessel/vessels and materials to such other place or places as may be requisite to the exercise of such discretion. The contractor on receiving notice of the intention of the Department to proceed with the completion of the work will surrender the vessel/vessels and all such materials, equipment, and appliances, together with the use, so far as required, of the plant of the contractor, and all machinery, tools, and appliances appertaining thereto and therefore used, or necessary to be used, in and about the finishing of the work. The completing of the vessel/vessels shall be carried on without unnecessary delay, and shall be at

If in the judgment of the Secretary of the Navy such failure or omission shall have been due to fire or to causes beyond the control and without the fault or negligence of the contractor including but not restricted to Acts of God or of the public enemy, acts of the Government, flood, epidemics, quarantine restrictions, strikes, freight embargoes and unusually severe weather or delays of sub-contractors due to such causes, then the contractor, without restricting the right of the Secretary of the Navy under this article, shall be entitled to payment for all work done to the date of the receipt of notice of termination in the same manner and to the same extent as if the contract had been canceled in accordance with the provisions of Article II hereof. If, however, in the judgment of the Secretary of the Navy, such failure or omission shall have been due to other causes, the completing of the vessel/vessels

April 1, 1942.

Sirs:

By letter of March 2, 1942 (No. 518-2(2)/3(400916)), the Secretary of the Navy authorized certain changes in Contracts N00-1430, N00-1432, N00-1433, N00-1497, N00-1500, N00-1503 and N00-1542.

On page two of the above referenced letter, in change under Article 17(d) of the General Provisions, reference was inadvertently made to claims for reimbursement under paragraphs "(a) or (b)" of that Article when paragraphs "(b) or (c)" were intended.

It is requested that the change letter be corrected by substituting "(b) or (c)" for "(a) or (b)" under Article 17(d).

By direction of the Secretary of the Navy

Respectfully,

T. L. GATCH  
Acting Judge Advocate General  
of the Navy

BuShips  
BuS&A  
CompBd (3)  
SupShip., Kearny  
G.A.O. (Audit Division)

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March 3, 1941

Articles 17(b), (c) and (d) of the General Provisions form-  
of Contracts NOD-1430, NOD-1432, NOD-1433, NOD-1497,  
NOD-1503 and NOD-1642, provide for reimbursement of  
factor by the Navy Department of the additional cost  
in connection with overtime and shift work, where  
time or shift work has been approved by the Navy

Order to extend these provisions to subcontracts,  
Navy of the Navy hereby authorizes the following  
in the General Provisions of each of the above-  
contracts:

Article 17(b):

Line 1 - after the word "contractor", insert  
the words "or any subcontractor under this  
contract".

Line 5 - after the word "contractor", insert  
the words "or such subcontractor".

Line 7 - after the word "contractor", insert  
the words "or such subcontractor".

Article 17(c):

Line 1 - after the word "contractor", insert  
the words "or any subcontractor under this  
contract".

Line 4 - after the word "contractor", insert  
the words "or such subcontractor".

Line 6 - after the word "contractor", insert  
the words "or such subcontractor".

Article 1

Line 1 "The Contractor shall be bound by the conditions of the contract and the conditions of the contract shall be the conditions of the contract." of this article."

For the sake of clarity, the Secretary of the Navy hereby modifies the General Provisions forming part of Contracts Nos. 1430, Nos. 1432, Nos. 1433, Nos. 1497, Nos. 1500 and as follows:

Article 23(a)

Line 9 - after "vessel/vessels", insert "hereby agrees,"

Article 12(c) of Contracts Nos. 1430, Nos. 1433, Nos. 1497, Nos. 1500 and Nos. 1542, authorizes the Contractor, with the written approval of the Secretary of the Navy or the Bureau of Ships as his duly authorized representative enter into subcontracts on a cost plus a fixed fee, price-adjustment basis, or on such other basis as may be approved. In order to permit the Contractor to modify subcontracts under this provision, the Secretary of the Navy hereby modifies each of these contracts as follows:

Article 12(c):

Line 5 - Change the period following the word "approved" to a semicolon and add the following:

similarly, if the contractor shall have obtained in advance such written approval, he may, by agreement with the subcontractor, change any subcontract to a cost-plus-a-fixed-fee basis, price-adjustment basis, or such other basis as may be approved."

Letter of February 19, 1941, Form of Contract Nos. 1430-1433, construction of four Destroyers Nos. DD-445 to DD-448, was forwarded to the Contractor for execution. This contract has not been forwarded to the Navy.

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it is requested that the above changes, except applying to Article 23(3) of the General Provisions, already been made, be inserted in all copies of Contract MOD-1732 and the General Provisions forming part thereof, and that appropriate entries covering such insertions be added under Article 11 of the contract and Article 1 of the General Provisions.

It is requested that receipt of this letter be acknowledged.

Respectfully,

James Forrestal

Acting Secretary of the Navy

Shipbuilding and Dry  
Company,  
New Jersey.

Ops CompBd (2)  
Ship. Kearny G.A.O. (Audit Div)



subcontractors, and the contractor shall be held responsible by the Department for the payment of the Compensation Board for reason of the non-payment of this contract. The amount which the Department shall pay to the contractor pursuant to the provisions of the foregoing paragraph shall be ascertained, estimated, and determined by the Department as soon as practicable after such cancellation is ordered. The amount shall be the amount that shall be paid to the contractor in full settlement of its contract: *Provided*, That the Secretary of the Navy may, in advance of final payment, make such payments as shall be found by the Compensation Board to be due. As a condition precedent to final payment the contractor shall execute a form and containing such terms and conditions as shall be prescribed by the Navy, of all claims against the United States arising under or by virtue of this contract hereof.

The contractor will notify the Department not less than 30 days beforehand of the date when the vessel is to be launched so that a sponsor for the vessel may be selected.

The contractor shall notify the Department in writing at least 2 weeks in advance of the date of starting trials and the approximate date for starting trials shall be furnished in advance.

The vessel shall be sufficiently strong to carry safely the personnel and the armament, stores (including torpedoes and their appendages), equipment, fuel oils, stores, and supplies prescribed by the Department, and indicated in the plans and specifications; and shall be accepted only on condition that she shall, after the trials prescribed in the contract, be found to be strong and well built as defined therein and in strict conformity

with the requirements of the contract. The contractor shall notify the Department in writing at least 2 weeks in advance of the date of delivery. After one-half of the contract time has expired the contractor shall, at the end of each succeeding calendar month until the vessel is completed, inform the Department of the estimated date of completion.

The contractor shall be informed of all defects and deficiencies developing during the performance of this contract and for which it is held responsible, and, wherever the contractor shall be given an opportunity to inspect the defects and deficiencies before they are corrected; and the decision of the Secretary of the Navy, as his duly authorized representative, as to the responsibility of the contractor for such defects and deficiencies, shall be final and binding on the contractor. The actual cost of correcting all defects and deficiencies for which the contractor is responsible shall be deducted from the payment to be made in final settlement, or by refund if the amount reserved is exceeded by the amount to be paid. That in order to expedite such final settlement, if the work of correcting any defects and deficiencies shall not have been undertaken when final settlement is made, the cost of correcting such defects and deficiencies may be determined as a change order to the contract, and the amount so determined deducted in lieu of the actual cost of correction.

The provisions of the national emergency declared by the President of the United States on September 8, 1939, to exist, but not later than 30 June 1942, unless otherwise provided, shall apply to the provisions of the law prohibiting more than eight (8) hours' labor in any one day upon work covered by this contract shall, in accordance with the provisions of the Act approved 13 June 1934 (40 U. S. C. 276 (b) and (c)), be suspended. Section 303 of the "Second Supplemental National Defense Appropriation Act" approved September 9, 1940 (Public No. 781, 76th Cong., 3d sess.) are applicable to the provisions of the Act approved 13 June 1934 (40 U. S. C. 276 (b) and (c)).

The contractor, in the interest of National Defense, employs, with the approval of the Department, any person or persons upon the work covered by this contract in excess of eight (8) hours in any one week, the Department will reimburse the contractor for the net excess of the wage rates determined by the Compensation Board for the net excess of the wage rates over and above the regular wage rates paid by it for such overtime work, less the State and Federal Social Security taxes actually paid by the contractor, of which shall be added six (6) percent as profit thereon.

The contractor, in the interest of National Defense, employs, with the approval of the Department, any person or persons on work other than day work, the Department will reimburse the contractor for the net excess, if any, of the wage rates determined by the Compensation Board for the net excess, if any, of the wage rates over and above the regular day wage rates paid by it for the day work, less the resultant increased State and Federal Social Security taxes actually paid by the contractor, of which shall be added six (6) percent thereof, as profit.

The contractor shall maintain such records as shall be necessary, in order that it may be able to show the amount of money actually paid by it for such overtime work and/or shift work.

The contractor shall not employ any person undergoing sentence of imprisonment at the time of contracting.

The contractor will report monthly, and will by agreement require its subcontractors to report monthly, within 5 days after the close of each calendar month, on forms to be furnished by the Department of Labor, the number of persons on their respective pay rolls, the man-hours worked, and the total expenditures. The contractor shall furnish to the Department of Labor the names and addresses of the persons on the work at the earliest date practicable: *Provided, however*, that the provisions of this paragraph shall be applicable only for work at the site of the construction.

The provisions of the Act approved 13 June 1934 (40 U. S. C. 276 (b) and (c)) shall apply to the provisions of the law prohibiting more than eight (8) hours' labor in any one day upon work covered by this contract shall, in accordance with the provisions of the Act approved 13 June 1934 (40 U. S. C. 276 (b) and (c)), be suspended. Section 303 of the "Second Supplemental National Defense Appropriation Act" approved September 9, 1940 (Public No. 781, 76th Cong., 3d sess.) are applicable to the provisions of the Act approved 13 June 1934 (40 U. S. C. 276 (b) and (c)).

The purpose of certain statutes concerning rates of pay for labor, by making it unlawful to contract for the compensation contracted for thereunder, and for other purposes.

"Sec. 2. To aid in the enforcement of the above section, the Secretary of the Treasury and the Secretary of the Interior jointly shall make reasonable regulations for contractors or subcontractors on any such building or work, including a provision that each contractor and subcontractor shall furnish weekly a sworn affidavit with respect to the wages paid each employee during the preceding week."

Sec. 2. Each contractor and subcontractor engaged in the construction, prosecution, or completion of any building or work of the United States or of any building or work financed in whole or in part by loans or grants from the United States, or in the repair thereof, shall furnish each week an affidavit with respect to the wages paid each employee during the preceding week. Said affidavit shall be in the following form:

STATE OF \_\_\_\_\_ ss: \_\_\_\_\_  
County of \_\_\_\_\_ (Name of party signing affidavit) \_\_\_\_\_  
\_\_\_\_\_ (Title)

I, \_\_\_\_\_ (Name of party signing affidavit) \_\_\_\_\_ (Title), do hereby certify that I am (the employee of) \_\_\_\_\_ (Name of contractor or subcontractor) who supervises the payment of the employees of said contractor (subcontractor); that the attached pay roll is a true and accurate report of the full weekly wages due and paid to each person employed by the said contractor (subcontractor) for the construction of \_\_\_\_\_ (Project), for the weekly pay roll period from: \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_, to the \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_; that no rebates or reductions from any wages due any such person as set out on the attached pay roll have been directly or indirectly made; and that, to the best of my knowledge on this date, there exists no agreement or understanding with any person employed on the project, or any person whatsoever, pursuant to which it is contemplated that I or anyone else will directly or indirectly be force, intimidation, threat or otherwise, induce or receive any deduction or rebate in any manner whatsoever from any sum paid to be paid to any person at any time for labor performed or to be performed under the contract for the above-named project.

Sworn to before me this ..... day of ..... 194.....

Sec. 3. Said affidavit shall be executed and sworn to by the officer or employee of the contractor or sub-contractor who supervises the payment of its employees.

Said affidavit shall be delivered, within seven days after the payment of the pay roll to which it is attached, to the nearest representative in charge at the site of the project or to the nearest office of the agency to which it is furnished, who shall forward the same promptly to the Federal agency having control of such project. If no Government representative is in charge at the site, such affidavit shall be mailed within such seven-day period to the Federal agency having control of the project.

[illegible]

<sup>4</sup> This contract is subject to the provisions of the Act of June 25, 1936 (40 U.S.C. 290), entitled "An Act to provide more adequate protection to workmen and laborers on projects, buildings, constructions, improvements, and property wherever situated, belonging to the United States of America, by granting to the several States jurisdiction and authority to apply their State workmen's compensation laws on all property and premises belonging to the United States of America."

The provisions of the several laws cited herein shall conform with the provisions of the Act approved June 30, 1906 (34 U. S. C. 33-45), and the regulations issued by the Secretary of Defense in pursuance thereof, to the extent that said provisions and regulations and the representations and stipulations herein set forth are applicable to such contract, unless such course, in the judgment of the President of the United States, shall not be in the interest of the National Defense. Act approved May 17, 1908 (34 U. S. C. 498), and, unless the President of the United States shall, in accordance with the Act approved June 28, 1940 (Public No. 671, 76th Cong.), suspend any one or all of the representations and stipulations of Section 1 of the aforesaid Act.

It is agreed and understood that this contract will be performed subject to the representations and stipulations of the Act approved June 30, 1936 (49 U. S. C. 45-45) and regulations issued by the Secretary of Labor pursuant thereto as follows:

The contractor is the manufacturer or supplier of the materials used in the contract.

the Secretary of Labour to the following effect: "The Government are prepared to employ the machinery of the Industrial Disputes Act in the case of any strike of the postal staffs, or of any need in the performance of this contract will be paid, without interruption, of not more than one month and less than the minimum wage as determined by the Secretary of Labour for the prevailing minimum wages for persons employed in the work in which the particular employee is engaged, at a business establishment."

\_\_\_\_\_

Women's Rights  
National Day

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Department of Psychiatry  
University of Toronto  
100 St. George Street  
Toronto, Ont.

[illegible]

immediately become the sole property of the United States; but this provision shall not be construed as relieving the contractor from the responsibility for the care and protection of the materials and work upon which payments have been made, or as a waiver of the right of the Department to require fulfillment of all the terms of this contract. As payments are made on account of materials on hand, but not incorporated in the vessel/vessels as a part thereof, a lien in favor of the United States shall attach immediately to said materials and shall be discharged on the completion and delivery of the vessel/vessels as to any materials not then incorporated as a part thereof. Said lien is, pursuant to the provisions of the Act approved August 22, 1911, (34 U. S. C. 532), paramount.

(b) No payments shall be made except on vouchers in septuplicate, certified by the Supervisor of Shipbuilding in such form as shall be directed by the Secretary of the Navy.

(c) All warrants for payments under the contract shall be made payable to the contractor or its order.

No liens.

(d) When payment is to be made under this contract, as a condition precedent thereto, the Secretary of the Navy, in his discretion, may require evidence satisfactory to him, to be furnished by the contractor, showing what, if any, liens or rights in rem of any kind against the vessel/vessels, or the machinery, fittings, or equipment, or the materials on hand for use in the construction thereof, have been or can be acquired for or on account of any work done, or any machinery, fittings, equipment, or material already incorporated as a part of the vessel/vessels, or on hand for use in the construction thereof; but the contractor, for itself and on its own account and for and on account of all persons, firms, associations and corporations furnishing labor and material for the vessel/vessels, and this contract is upon the express condition that no liens or rights in rem of any kind shall lie or attach upon or against the vessel/vessels or the machinery, fittings, or equipment, or the materials therefor, or any part thereof, or any of them, for or on account of any work done upon or about the vessel/vessels, machinery, fittings, equipment, or materials, or of any materials furnished therefor or in connection therewith, nor for or on account of any other cause, or thing, or of any claims or demands of any kind, except the claims of the Department: *Provided, however*, That, in case by reason of the laws of any State, the contractor shall be unable to comply with such express condition, then the Secretary of the Navy may waive such condition or take such other action as he may deem proper under the circumstances.

Final payment.

(e) When all the conditions, covenants, and provisions of this contract shall have been performed and fulfilled by and on the part of the contractor, it shall be entitled within 10 days after the filing and acceptance of its request therefor to receive the special reserve, or so much thereof as it may be entitled to, on the execution of a release, in such form and containing such terms and conditions as shall be prescribed by the Secretary of the Navy, of claims against the United States arising under or by virtue of this contract: *Provided, however*, That the Secretary of the Navy may, in his discretion, make partial payments on account of the special reserve and of any other balance due in advance of final settlement.

Additional security.

24. Should any surety upon the bond for the performance of this contract or upon the bond for payment of persons supplying labor or material hereunder become unacceptable to the Department, or if any such surety shall fail to furnish reports as to his financial condition from time to time as requested by the Department, the contractor shall furnish promptly such additional security as may be required from time to time to protect the interests of the Department and of persons supplying labor or materials in the prosecution of the work contemplated by this contract.

General provisions.  
Changes in

25. The following changes were made in these General Provisions before this contract was signed by the parties thereto:

Accepted as forming part of Navy Department Contract No. \_\_\_\_\_

Accepted \_\_\_\_\_